City of Las Vegas

Agenda Item No.: **4.**

AGENDA SUMMARY PAGE

SPECIAL CITY COUNCIL MEETING OF: OCTOBER 6, 2008

DEPARTMENT: CITY MANAGER
DIRECTOR: DOUGLAS A. SELBY

☐ **Consent** ☒ **Discussion**

SUBJECT:
ADMINISTRATIVE:

Report and possible action on the Fundamental Service Review presentations and recommendations

Fiscal Impact

☒ **No Impact** ☐ **Augmentation Required**
☐ **Budget Funds Available**

Amount:
Funding Source:
Dept./Division:

PURPOSE/BACKGROUND:
In response to declining general fund revenues, on March 31, 2008, City management was directed by Council members to complete a fundamental review of City operations, programs and services that are neither tied to the City key priorities nor fundamental operations functions. City management was also directed to prioritize or rank the programs and services, to identify costs associated with the service delivery and to project the aggregate savings, if one or more of the programs were terminated. Staff will report on the findings of the fundamental review, which will include options for City Council's consideration regarding operating efficiencies.

RECOMMENDATION:
Receive presentations and direct staff accordingly

BACKUP DOCUMENTATION:
1. Fundamental Service Review Report
2. Submitted at meeting – Fundamental Service Review Addendum, Fundamental Services Review Report by Kirchhoff and Associates, Fall 2008 Economic Briefing by Restrepo Consulting Group, LLC., Fundamental Service Review PowerPoint Presentations by staff, Revised General Fund Forecasts by staff, Las Vegas City Employees' Association packet by Bruce Snyder, and Letter by Charleston Neighborhood Preservation

Motion made by GARY REESE to Approve as recommended as follows:
1. Incorporate the comments of the Mayor and Council
2. Fundamental Service Review (FSR) efficiency reductions that do not result in reductions in full time staff (eliminate $4.5M in vacant positions and eliminate $1.9M in non-labor costs)

3. Implement additional $20M in non-labor budget reductions in FY09
4. Pursue organizational restructuring and strategic service changes that do not cause reductions in full time staff
5. Suspend 12% fund balance policy allowing the fund balance to drop to 10%
6. Phased implementation of fee increases
7. Use stabilization fund for three purposes
   a. Create a trust for unfunded liabilities
   b. Revenue stabilization
   c. Maintain 10% General Fund Balance
8. Move forward with only Capital Improvement Projects that do not have personnel/operational impacts on the budget in fiscal year 2010
9. Work with labor units to reduce labor cost growth to be in balance with revenue growth projections
10. Protect all City employees against layoffs at least until the first of the year
11. Monthly briefings by the City Manager and Finance Department to Council on negotiations and a report to Council at the 12/3/2008 City Council meeting on the status of the implementation of the recommendations

Passed For: 7; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0
RICKI Y. BARLOW, LOIS TARKANIAN, LARRY BROWN, OSCAR B. GOODMAN, GARY REESE, STEVE WOLFSON, STEVEN D. ROSS; (Against-None); (Abstain-None); (Did Not Vote-None); (Excused-None)

Minutes:
MAYOR GOODMAN excused COUNCILMEN BROWN and REESE for the beginning of the session and gave an overview of the agenda.

MAYOR GOODMAN indicated that last March the City Council had directed the City Manager to conduct a thorough review of all City's services and departments. The effort of the Fundamental Service Review (FSR) was a response to declining trends in City's revenues and a general downturn in the economy. The review was to help identify areas where services might not be as necessary. This effort would ensure that the City was ready if the revenues did not recover. Since that time there has been an unprecedented turmoil in the financial and housing market. The Mayor recognized the City Manager's efforts, as well as the FSR team of BARBARA JACKSON, as the Project Manager, MAGGIE PLASTER, Human Resources, BRIAN KNUDSEN and outside consultants and advisers.

Management provided a well-thought out plan based on researched information about the organization. There was consideration for the Council's highest priorities and maintaining services that the citizens rely on and need. Although, the plan eliminates and reduces programs that are important to some of the residents, these are tough times and call for tough choices. No job elimination was taken lightly, as it became evident that this is an essential option to balance the budget. The FSR process was not easy and very stressful for the organization and for the employees. Unfortunately, the revenues have not recovered and are unlikely to recover in the near future. The Mayor indicated that DEPUTY CITY MANAGER STEVE HOUCHENS had warned the Council for the past ten years that eventually the line of expenditures might cross that of revenues. That time has come and financial projections indicate a five-year shortfall of approximately $150 million.

MAYOR GOODMAN was appreciative of the union leaders' efforts of labor leaders and their willingness to talk about compromises to address the financial stability of the City. He was hopeful that these discussions continue. The Mayor pointed out the problems other cities were encountering, up to and including bankruptcy. That will not happen under this City Council's watch. The Council takes their responsibilities very seriously and through their thoughtful consideration, will be able to choose the right course of action for the City and its citizens.

The Mayor introduced BOB FORBUS, who remarked that a hiring freeze implemented and the steps taken to cut $20 million from the budget has been tough on employees.

MR. FORBUS introduced local economist JOHN RESTREPO, Restrepo Consulting. He is the president of the National Association of Industries and Office Properties and also on the Governor's economic forum.

MR. RESTREPO remarked that what is happening today is unprecedented in the history of the United States, the biggest financial crisis in this lifetime. Las Vegas is not in danger of becoming a rust belt city because Las Vegas is unique. Local jurisdictions have managed their finances well over time but now is the time to look at things in a sober way and understand where the City is headed for the next couple of years through these challenging times.

Through a PowerPoint presentation MR. RESTREPO indicated that a healthy economy is based in a foundation of healthy tax revenues, a healthy community and healthy quality of life. The current economy downturn in the economy is global.

MR. RESTREPO indicated that a recession is a downturn in GEP of less than 10 percent and lasts about a year. A depression is more than 10 percent, but this has not happened yet. The last time this happened was with the Great Depression when the GEP went down by 18 percent.

Las Vegas has decent job growth, and population growth is expected to grow at about three percent per year. The challenge is the type of jobs that will be produced to support the jobs and population growth.

Consumer confidence has dropped off quite a bit, impacting sales tax revenues. From July of 2007 to July of 2008, 3,200 jobs were lost. Construction has lost quite a bit due to the downturn in the development industry. The concern is the loss in professional services. The employment rate has increased, and it could be as high as 11 percent.

MR. RESTREPO stated that gaming revenue for Clark County and Downtown has gone down and at this point, it is unsure if this trend will continue. In the City of Las Vegas jobs per household are a little bit below the average, but overall the Valley is okay. There is a drop off in retail sales tax, and this is a challenge for the City which depends upon the sales tax. The lcoal cost of living as of August 2008 is six percent higher than the national average. Wages, after being adjusted for inflation, have remained relatively flat, but are still a challenge because of the relatively high cost of living in Southern Nevada. MR. RESTREPO added that state and local job growth stayed relatively constant.
He addressed collective union contracts measures and PERS (Public Employee Retirement System). There has been an increase in people receiving PERS, partly related to the baby boomer generation retiring.

MR. RESTREPO gave on overview on the housing market, foreclosure rates in Southern Nevada, the drop off in housing inventory, stringent changes in lending standards and the possibility of commercial foreclosures. This is partly due to over-building and easy credit. There has been a dramatic drop off in the amount of retail development to be built in the City of Las Vegas, partly due to lack of available land and high quality sites to attract anchor developers.

It will be two years before a sustained recovery in the economy can be seen. The recession might last until Fiscal Year 2011. Over the next couple of years the tax revenue will have a dramatic effect on the City of Las Vegas. He recognized City leaders for looking into these issues.

Consumer confidence will slow the (C-tax) and tougher lending standards will impact residential and commercial markets. MR. RESTRAPO indicated that the $700 billion bailout is a tourniquet on the wound and there will be a downturn before a recovery. One bright spot in Southern Nevada is the rental housing market; people are renting instead of buying at this time. The economy is affecting tourism globally.

MR. RESTRAPO noted that there has been a lot of talk in the media that Nevada has an unstable, volatile tax structure, but that is not necessarily true. Nevada's tax structure has kept up with the current economy. Las Vegas still has a very positive community, a strong economic fundamental in the long term and a healthy relationship between government officials and the private sector.

COUNCILMAN WOLFSON asked MR. RESTRAPO the difference between attracting employees to Las Vegas ten years ago and now. MR. RESTREPO replied that over time, the community has changed and the industry diversified. The City is getting better press as Nevada had a low cost of living, great climate and a more diverse population and culture.

Regarding the population growth, COUNCILMAN WOLFSON discussed with MR. RESTRAPO an anticipated increase to about 80,000 people between 2008 and 2020. One challenge facing the short-term is that people may be moving here thinking there are jobs without realizing that many Southern Nevadans are looking for jobs as well. Therefore, the small increase typically seen when a large resorts opens, may not occur as those jobs are absorbed by Southern Nevadans. Thus, the concern is that those people moving here might not find jobs and the potential impact on government services.

MR. FORBUS suggested watching the Clark County School District's numbers regarding student population, which could be a barometer to measure growth. There was an increase this year, but not nearly what was anticipated.

COUNCILMAN WOLFSON requested clarification on wages between the government and the private sector. MR. RESTREPO replied that the chart on slide 23 represents the total for combined state and local wages. This represents a 20 percent differential versus the total economy. He verified for MR. FORBUS that the amount does not include teachers.

COUNCILMAN ROSS asked if the analysis of the numbers relating to the collective bargaining agreements differ from any other municipality throughout the country. MR. RESTREPO replied he was not asked to do that type of analysis. The study by the Las Vegas Chamber of Commerce (LVCC) seemed to indicate that public employees in the State of Nevada are paid a little higher than their counterparts elsewhere in the country. MARK VINCENT, Director of Finance, acknowledged that the only study he has seen is the LVCC study that shows higher wages than most other jurisdictions. However, the State has fewer government employees per capita. He clarified that the referenced slide was the representation of a new employee as they move through the progression of salary step increases and not a representation of the average wage increase. COUNCILMAN ROSS remarked he would have liked to see a more independent approach rather than relying upon the LVCC input.

MR. VINCENT replied that the purpose was not to compare the amount of pay, but was to show the rate growth. COUNCILMAN ROSS responded that the slides are misleading. He would like to know how the City of Las Vegas compares to the City of Los Angeles or Phoenix without the Consumer Price Index (CPI) issue.

MR. RESTREPO stated the question is whether it is correct in all circumstances to use private sector wages as a benchmark. Some would argue that it is the local government sector that pays a better living wage than the private sector. An argument could be made that it is not bad for local government to pay better than the private sector. The challenge is that revenue is not growing at the same rate.

COUNCILMAN BROWN requested that MR. VINCENT provide information as to why the other 31 states, given the global situation, are more stable.

MR. FORBUS introduced CITY MANAGER DOUG SEL.BY, who stated that the City of Las Vegas is not immune to what is happening in this country or around the world. The purpose of today's workshop is to discuss the rate of expenditures and to acknowledge the significant amount of work staff has done over the last six months. He thanked staff for all their work and in particular DR. JACKSON, MR. VINCENT, MS. ENUS, DEPUTY CITY MANAGERS ORLANDO SANCHEZ and STEVE HOUCHENS, BRIAN KNUDSEN, MAGGIE PLASTER, and DAVID RIGGLEMAN and his staff.

MR. FORBUS introduced WILLIAM KIRCHHOFF, Kirchhoff and Associates, who is a former city manager, a professor, a consultant and has worked with numerous cities.

MR. KIRCHHOFF provided a PowerPoint presentation and cautioned that a city's revenue always lags up to 18 months behind the economic recovery. His role was to assist in structuring the FSR effort and bring an outsider's viewpoint. When staff looked at reductions, cuts or changes, they thought about its impact on the employer, employee and City services. The FSR effort was driven by economic realities, and it was an organization-wide effort. MR. KIRCHHOFF outlined the three laws of budget retrenchment.

He indicated that the cities he has been associated with ignore or do not recognize signs of economic downturns. When they finally are recognized corrective action is too slow, causing too-little-too-late results. The City of Las Vegas' pre-economic downturn status was solid and it was doing everything right. The only liability the City of Las Vegas has is no institutional experience or memory with respect to operating with declining revenues.

MR. KIRCHHOFF acknowledged that economic signs were apparent to management who initiated early retrenchment actions. The bottom line is that after scrubbing out inefficiencies, retrenchment is balancing the workforce needs against community needs. The FSR efficiency options are doable. The recommendations presented to the City Council did not push down into the tough zone, such as outsourcing. The City has been and still is ahead of the curve when compared of how other cities are dealing with the economic crisis. However, without additional taxation, future revenues, for at least 10 years, will not be capable of supporting existing personnel practices.

MR. KIRCHHOFF recommended that the City Council adopt the City Manager's recommendations as soon as possible, and use the Performance Plus effort to transition to a Program Performance Budget (PPB). He recommended that labor costs be re-balanced to a lower percentage of the operating budget. This does not mean reducing salaries or compensation, but somehow the labor component of the budget has to be a lesser percentage. Additionally, there needs to be an increase in the City Manager's Office data collection and budget capacity rather than using trend analysis or budget forecasting. He recommended that expenditures be reviewed and adjusted on a quarterly basis because he believes the economy is volatile. He also recommended that staff review the employee efficiency ideas as it relates to the FSR.

COUNCILMAN ROSS referred to MR. KIRCHHOFF'S statement cautioning against picking and choosing FSR efficiencies as that might unravel the effect of the FSR report recommendations on City services and programs. MR. KIRCHHOFF replied that when an effort like this is undertaken involving many people, there is no way everything is looked at because it represents different views, ideas and priorities. Unraveling it may lead into having additional workshops. Some of the small decisions took hours to figure out. The City Manager presented the most comprehensive, thorough analysis ever done knowing how the process works.

COUNCILMAN WOLFSON asked MR. KIRCHHOFF to speak about his experience and qualifications because the City Council is going to rely on many of the recommendations provided in the report. MR. KIRCHHOFF indicated that he was a city manager at the age of 27 and had always inherited cities with financial difficulties. He has been a member of labor organizations since he was 18. He looked at the study from the elected officials' viewpoint, its programs and the employees. He has done some operational studies and has enough insight to know how the City runs. Las Vegas in a very unique City, and he could have recommended deeper cuts, but it would probably cause turmoil and difficulties. He was objective and not influenced by anyone on the City Council or staff.

COUNCILMAN WOLFSON asked MR. KIRCHHOFF why he stated that without a fundamental restructuring of the City's compensation practices there will be no choice other than a severe reduction in essential services. MR. KIRCHHOFF replied that the City can only grow so fast under the best of times. If a city cannot grow rapidly and its compensation is 85 percent of the costs, the city cannot support labor. If this continues, then something structurally will have to happen, such as raise taxes.

COUNCILMAN BARLOW asked MR. KIRCHHOFF to explain the workforce needs versus the community needs. MR. KIRCHHOFF replied that in addition to the efficiencies, other things had to be considered; such as reducing services. Departments had presented 200 recommendations and were reduced to 106 recommendations. Every assessment was thoroughly analyzed and those recommendations were presented to the City Council.

COUNCILMAN WOLFSON added that MR. KIRCHHOFF'S statement is a compliment to City staff. MR. KIRCHHOFF remarked he is not aware of any other in-depth study.

COUNCILWOMAN TARKANIAN asked MR. KIRCHHOFF if the Las Vegas Metropolitan Police Department budget is included in the 71.9% of the 2009 budget compensation. MR. KERCHHOFF responded that the City's revenue flow does not carry the workforce costs.

Meeting recessed at 10:42 a.m. - Meeting reconvened at 10:53 a.m.

MR. FORBUS indicated that CITY MANAGER SELBY and MR. VINCENT would be making a presentation on issues currently facing the City.

CITY MANAGER SELBY explained this is a culmination of six months' effort by staff. Due to the City Council foresight, there are options and opportunities to address the revenue downturn in a rational and measured way, as oppose to a brutal action of cuts across the board. Some proposals will have an impact on services, finances and the workforce. Some of the items may be controversial to some and some need more detailed analysis.

Through a PowerPoint presentation, CITY MANAGER SELBY outlined the actions the City of Las Vegas has already taken to date and, through the City Council's leadership and direction, slowed the growth in expenditures.

CITY MANAGER SELBY stated that there is one Council action that needs to be implemented today that is administrative in nature. He outlined the breakdown in reductions, indicated that all areas were affected by reductions, and demonstrated a pie chart noting reductions by functions.

CITY MANAGER SELBY indicated that the compensation and classification study is an important element in defining a proper and fair compensation for the City's workforce. There might be questions because it is uncertain that a holistic view has been taken of the City relative to other cities and relative to the skills and credentials of the City of Las Vegas' employees. There is indication that some areas are being overcompensated and some areas are undercompensated. The goal of this effort is to look at that in a fair and unbiased way because it represents 75 percent of operating cost. The first phase has been completed and implemented with the executive and appointive positions, realizing an annual savings of $191,000. The next phase will be to look at the rest of the workforce represented by collective bargaining units. The leadership from all collective bargaining units was invited to participate. He has asked the teams to address the outcomes of the compensation studies.

CITY MANAGER SELBY stressed that MR. KIRCHHOFF was truly independent, staff did not edit his report and his compliments were not solicited.

CITY MANAGER SELBY outlined these guiding principles he had asked the FSR committee to adopt during the process; maintain financial integrity, maintain critical services and preserve jobs. Preserving jobs is challenging because he does not want to risk any employee joining the unemployment rolls or facing foreclosures. CITY MANAGER SELBY gave an overview of the FSR process where proposals and ideas were gathered. The 260 items were screened and sorted into categories: efficiencies, organizational restructuring, strategic service changes and revenue enhancements.

During the FSR process companion studies. One study addressed change from a five-day, 40-hour week to a four-day, 40-hour week. The conclusion was that if operations were closed one day a week, the City could save $170,000 a year; however, all 24-hour essential functions would have to stay intact. Recommending a four-day work week is not a viable option for the amount of money that would be saved.

CITY MANAGER SELBY discussed the elements of the FSR, such as consolidation, an element of a companion study. However, the City of Las Vegas was unable to get engagement from the other jurisdictions because, unlike the Las Vegas City Council, the other jurisdiction managers were not directed by their leaders to engage in meaningful and in-depth discussions. Therefore, staff looked at prior consolidation efforts and concluded that, while consolidation has merits, it will not help the City financially.

CITY MANAGER SELBY outlined efficiency savings, organizational changes appropriate for immediate implementation, organizational changes requiring additional analysis and revenue enhancement options.

MR. VINCENT provided a PowerPoint presentation on the City of Las Vegas revenue and expenditure outlook. He presented different charts relating to general fund revenues, historical C-tax, property growth and wage growth. He gave an overview on fiscal scenarios.

COUNCILMAN BROWN questioned the justification for the optimistic increase in the general fund revenue over the four years. MR. VINCENT replied that, as MR. RESTREPO had indicated, the housing slump is anticipated to rebound in 2011.

The other issue is the foreclosure rates have doubled and there has been an increase in depreciation of properties, as well as a decrease in development. He believes the property tax will continue to dip. MR. VINCENT noted that a financial review committee was established comprised of various members from different aspects in the financial market. When the committee first met, they thought the numbers were pessimistic and when they met the last time, they thought the numbers were optimistic. After working through and discussing it, the committee was comfortable leaving it as is because this is merely a forecast. As MR. KIRCHHOFF mentioned, quarterly updates are needed and this model will have to be continuously updated.

COUNCILMAN BROWN verified with MR. VINCENT that many of the recommendations and scenarios are based on those projections.

MR. VINCENT continued with the PowerPoint presentation and gave an overview of the general fund expenditures.

COUNCILMAN ROSS asked if comparisons regarding appointive employees and executives were done with other cities. MR. VINCENT replied there were no comparisons done outside of the Las Vegas Valley. COUNCILMAN ROSS remarked that some executives in the City of Las

Vegas get paid very well, and the FSR suggested cutting labor costs for classified employees and not the executive staff. MR. VINCENT replied that a compensation study was done for executives and appointive employees and there were seven positions that were identified to be adjusted. This has not been done for the classified employees, and there might be the same results; some will be overpaid and some underpaid. The Councilman asked that a comparison be done with other cities relating to executive salaries, as well as the classified employees.

COUNCILMAN BROWN indicated that the chart refers to a new employee starting in 2009, and asked if it is possible, going back 10 or 20 years on the salaries of classified or appointive employees to get a sense of city wage increases versus the CPI. The model assumed that labor would continue to grow at a composite of the average COLA and the average step, based on the type of bargaining unit. There is also the factor of turnover. By policy all positions are budgeted whether they are filled or not, something that MR. KIRCHHOFF had criticized.

COUNCILMAN BROWN asked if an assumption is made that the salaries for both collective and appointive have always been above the CPI, and whether this indicates that that differential is going to increase. MR. VINCENT responded that if wages continue to grow faster than revenues, there is no choice but to cut programs or staff. He clarified for COUNCILMAN WOLFSON that 90 percent of City employees are covered by a collective bargaining unit and represent 86 percent of labor costs and appointive employees represent 10 percent of employees and represent 14 percent of labor cost.

COUNCILMAN BARLOW asked how the State plays into the numbers presented today since the City only controls 13 percent of the C-tax. MR. VINCENT replied that it assumes that all revenue remains as it is today. The downturn in the economy is affecting not only the City of Las Vegas and Clark County, but also the State. That is more reason not to use all of stabilization fund. There needs to be enough cushion to have time to react, and all the more reason to monitor the economy on a quarterly basis.

COUNCILMAN BARLOW remarked that the slide represents a runway train and that something needs to happen soon, some adjustments need to be made.

MR. VINCENT discussed the unfunded benefit liabilities driven by the Nevada Revised Statutes (NRS) for Public Employee Benefits, Occupational Diseases and PERS. PERS is able to invest a little more aggressively than local government, but has not achieved the same earnings this year. Even before the market took a downturn, they had an actuary study that reflected regular employee contribution rates have to be 21.3 percent and 33.5 percent for public safety. When PERS is underfunded and investments underperform, it has to be made up with contributions by the employers. He indicated that the State legislature will impose new contributions.

Meeting recessed for lunch at 12:09 p.m. - Meeting reconvened at 12:49 p.m.

MR. VINCENT indicated that the fiscal scenario model contains financial data from the last five years and anticipates the next five years. It was the basis for the fiscal scenarios described in the budgeting study.

Through a PowerPoint presentation, MR. VINCENT explained that the first scenario contemplates current budget cuts would continue, the City's financial obligations would be unchanged and there would be no fiscal impact on the budget by the State legislature. This would result in a $150 million dollar shortfall over five years.

MR. VINCENT stressed that the City could not allow its fund balance to be completely emptied because operating capital was needed to allow the City to continue to function. Additionally, drawing the fund balance to zero would impact the City's credit rating, affecting its ability to issue bonds and obtain financing. He explained that maintaining a 10 percent fund balance would allow the City to cover 5.2 weeks of expenditures if anything disrupted its revenue streams.

The second scenario explored the consequences of implementing the $10.9 million in FSR recommendations, resulting in a shortfall of $90 million. He noted the City's operating expenditures would be reduced by $60 million, but the savings would not be sufficient to prevent a budget deficit or a zero fund balance.

The third scenario contemplated using the $47 million stabilization fund. MR. VINCENT emphasized that stabilization funds would only be available once and could not be replenished.

MR. VINCENT explained that in the fourth scenario $11 million in reductions would be combined with the $47 million stabilization fund. He stated this scenario did not ultimately solve the problem as the City's revenues would be significantly less that its expenditures by 2014.

The fifth scenario indicated delaying reductions in operating expenditures that would require doubling the budget reductions with the result that the City's expenditures would exceed its revenues.

MR. VINCENT explained that the sixth scenario contemplates a one-year wage freeze across the board in FY10 and then resume the regular collective bargaining contract in FY11. This scenario would bring the City's revenues and expenditures more in line, but suggested that the City's revenues would continue to decline and its budget would still remain unbalanced.

COUNCILMAN ROSS asked MR. VINCENT to explain what would happen if the economy changed in fiscal years 2011 or 2012 with the sixth scenario. MR. VINCENT replied that, as suggested by MR. KIRCHHOFF, budget meetings need to be held more frequently so the Council can act quickly in response to changing economic conditions. He noted that the sixth scenario would delay the point in time where the City's expenditures outstripped its revenues. He confirmed for COUNCILMAN ROSS that the sixth scenario would retain the revenue stabilization fund.

The seventh scenario explored incorporating the budget reductions and revenue stabilization fund with a 50 percent cut to all future step increases starting in FY10. He explained that this scenario assumed all labor units would agree to the cuts. MR. VINCENT clarified for COUNCILMAN ROSS that the cuts to step increases would only continue for five years. He stressed that this scenario was not a recommendation and was being presented as a way to reduce the growth of labor costs.

COUNCILMAN ROSS observed that implementation of any of the scenarios would require close monitoring on a quarterly basis in order to make any necessary adjustments to keep the City's budget on track. MR. VINCENT added that a reduction in the growth rate of expenditures would have a longer lasting impact than other one time efforts.

MR. VINCENT continued to explain the different scenarios that include fee increases and placing a hold on all Capital Improvement Projects (CIPs) for five years. He explained that the CIPs have a general fund impact due to utility, labor and maintenance costs. COUNCILMAN ROSS observed that stopping the CIPs would impact the City's economy. MR. VINCENT agreed that municipal governments were one of the few entities still moving forward with construction projects and delaying capital projects would have a negative impact on the local economy. He recommended deferring some projects and noted that this scenario would not solve the City's budget problem.

MR. VINCENT addressed the last scenario and explained that it was developed at the suggestion of the Financial Review Committee. In response, he developed a smorgasbord scenario, one which included deferring current five-year CIP for two years, suggested FSR reductions be implemented, implement a quarter of fee increases over five years, use $7 million of stabilization money for FY14, and cuts to all future step increases starting in FY10. He noted this scenario would reduce the City's growth rate in expenditures by 10 percent and balance the budget.

Given the current economic instability, MAYOR GOODMAN observed that the potential budget deficit could exceed $150 million in five years and MR. VINCENT agreed. MAYOR GOODMAN attributed this to the volatility in the stock markets and the ongoing layoffs in the local economy. MR. VINCENT acknowledged the importance of monitoring the situation until it levels off and stabilizes.

In response to MAYOR GOODMAN'S question, MR. VINCENT stated that the City's budget for salaries and benefits was $290 million with approximately $110 million contribution for the Las Vegas Metropolitan Police Department (Metro). MAYOR GOODMAN noted the City spent approximately $450 million on salaries and benefits per year and MR. VINCENT concurred.

Referencing the earlier discussion regarding executive management, CITY MANAGER SELBY described and listed that several positions being held vacant. He explained that some positions were filled by employees acting in the capacity, but those employees had not been confirmed and promoted into those positions. He stated that the staffing ratio for executive management to classified staff, was one executive manager for every seventy-one employees while the ratio for supervisors and above to classified staff was one to every twelve employees, which were in line with the staffing ratios of other municipalities. He noted that implementing all FSR efficiency recommendations would impact 11 percent of the management staff. COUNCILWOMAN TARKANIAN suggested the ratios be examined carefully as the community was questioning them.

COUNCILMAN REESE expressed his appreciation for staff's efforts and stated that the City of Las Vegas is setting an example for other municipalities. He acknowledged that the Council's decision would have a widespread effect. He appreciated the different scenarios, but stressed that the City is out of money and action has to be taken. COUNCILWOMAN TARKANIAN agreed and added that the executive staff, the Council and the different bargaining units have to work together towards a solution.

CITY MANAGER SELBY stated his recommended actions would depend heavily on the cooperation from the unions. He pointed out there are areas in the City where work does not exist for some employees and there may need to be some consideration for reductions in workforce. He recommended that the implementation of workforce reduction be set aside in the interest of making this scenario work without layoffs.

COUNCILMAN ROSS questioned CITY MANAGER SELBY regarding the impact delaying the CIPs with mixed funding. CITY MANAGER SELBY recommended that those projects go forward as the majority did not require additional staffing, and he listed some projects that fit that criteria. COUNCILMAN REESE used the Stupak Community Center as an example, which would not incur additional labor costs as the existing employees would simply relocate. CITY MANAGER SELBY remarked that the deferral would be only for one year.

CITY MANAGER SELBY pointed out that if progress to balance the budget is not reached by February 1, 2009, an alternative recommendation would be reductions in programs and services. He recommended coming back to the City Council for further discussion and to make periodic reports to the Council in the interim.

CITY MANAGER SELBY reiterated for COUNCILWOMAN TARKANIAN that if the City's efforts to balance the budget were unsuccessful and labor units did not assist the City with labor costs, the City would be forced to cut programs and services, resulting in layoffs.

CITY CLERK BEVERLY BRIDGES informed MAYOR GOODMAN that the first City

Council meeting in December would be December 3rd. MAYOR GOODMAN requested that CITY MANAGER SELBY provide a report on December 3rd, given the economy's volatility. CITY MANAGER SELBY replied he would provide the Council with whatever information he could obtain by that time.

COUNCILMAN WOLFSON acknowledged that no one wants layoffs, but expressed his concern with CITY MANAGER SELBY'S recommendations because it assumes that the City will be successful in its negotiations with the labor units to balance the budget. The City might be unsuccessful in its negotiations and layoffs might be inevitable. CITY MANAGER SELBY advised the Council to allow the process some time to work. He suggested that any potential layoffs not be implemented until after the New Year. He explained that was the reason behind his suggestion for a February meeting to update the Council and implement further action if necessary.

COUNCILWOMAN TARKANIAN verified with CITY MANAGER SELBY that if economic conditions improve the City adjustments could be made with the labor unions that have made concessions. She clarified that the purpose of the quarterly meetings would be to keep the Council informed and able to adjust accordingly to changing economic conditions.

MR. VINCENT stated he had explored a scenario where the City's Metro contribution dropped by one percent, pointing out that that would save approximately $24 million. He emphasized that no scenario indicated that the City could not balance the budget without some consideration from labor units. He explained that without a reduction in the growth of labor costs, the City's only option to balance the budget would be to reduce programs.

MR. VINCENT confirmed for COUNCILMAN BARLOW that the participation of the bargaining units was necessary for CITY MANAGER SELBY'S recommendations to be successful. He explained that if the efficiency savings were not enough or the considerations from the bargaining units was insufficient, the only option for balancing the budget would be reducing programs. In response to COUNCILMAN BARLOW'S question regarding the amount the bargaining units would be asked to consider, MR. VINCENT stated that the current growth rate of wages of 4.7 percent would need to be reduced to an average of 3.8 percent.

MAYOR GOODMAN informed COUNCILMAN REESE that he wanted the issue resolved so everyone knows where they stand and explained for COUNCILMAN ROSS his intent to allow the City and bargaining units to work together, reporting to the Council on December 3rd.

TOMMY RICKETTS, President of the Las Vegas City Employees' Association (LVCEA), appeared with BRUCE SNYDER, General Counsel. MR. RICKETTS commented that the LVCEA was blindsided by the FSR and placed in a reactionary position with the City rather than a partnership position. He stressed his personal efforts to work with the City to find positive changes and underscored the valuable contributions made by LVCEA members. He stated that

LVCEA members could contribute more, but management had not taken full advantage of their knowledge and experience.

MR. RICKETTS took issue with management informing LVCEA members not to buy Christmas presents or cars or get pregnant because of possible layoffs. He questioned the recommendations placing the majority of the budget cuts on LVCEA employees. He pointed out that the FSR had not substantively addressed executive and appointive positions, and that classified employees should not be punished for having a decent contract. In 1997 he offered a solution to take wages off of the negotiation block and suggested adopting the western states Schedule A CPI plus one percent and make that the base for on-going COLAs. Nobody took that offer.

COUNCILMAN REESE asked CITY MANAGER SELBY if MR. RICKETTS was involved in the FSR process. CITY MANAGER SELBY replied he had briefed DON KING and other members of the LVCEA, but MR. RICKETTS was not available to be involved in those early discussions. It was his intent and desire to have meetings and share information. He stressed that the LVCEA'S role in the budget had been taken into consideration. MR. RICKETTS rebutted that the FSR was completed without any active participation from any LVCEA board members or himself.

COUNCILWOMAN TARKANIAN commented that there has been a concern by the LVCEA with working closer with management. She suggested that regular meetings be held with the LVCEA to address an apparent communication problem.

MR. SNYDER addressed three slides in MR. RESTREPO'S presentation which compared the CPI to the salary of a new hire for each bargaining unit. He pointed out the slides did not show that the total cost of union contracts was increasing at a significantly higher rate than the CPI and suggested omitting the slides would have been more productive. From his interpretation of the presentation, he observed that a slow in the growth rate of labor costs rather than a reduction in the amount of labor would help the City balance its budget. MR. SNYDER noted that the presentations appeared to be union-bashing and pointed out that the contracts had been negotiated and agreed upon by both the City and the labor units. He emphasized the LVCEA'S willingness to work with the City.

COUNCILMAN REESE stated that he has supported the union contracts, but he never dreamed the City would be in this economic downturn. He appreciated MR. SNYDER'S comments and asked that they all work together.

MR. SNYDER addressed CITY MANAGER SELBY'S recommendations, noting that State law only requires an eight percent fund balance. However, he recognized the need for good bond ratings and acknowledged ten percent would help maintain the City's credit rating. He expressed support for maintaining critical services, preserving jobs and utilizing the virtual stabilization fund. MR. SNYDER suggested that communications between the City and the LVCEA could have been better, stating that members were being given more information about the FSR than its leadership. He also disagreed with the assertion that the FSR had been an inside-outside approach and argued it had been a top-down approach, with little input from the classified employees. MR. SNYDER submitted a packet containing members' comment and suggestions on the FSR. Regarding the recommendation to outsource custodians, he pointed out the LVCEA contract contains a clause that prohibits outsourcing custodial services in City Hall and any new facilities.

Noting that the LVCEA had met with several members of the City Manager's Office, MR. SNYDER outlined the LVCEA'S ABC plan as its response to the City's recommendations. He noted that the Board of the LVCEA could not agree to any changes to the contract without approval from the membership. He informed the Council that an independent CPA was being hired by the LVCEA to review the information provided by the City to give the LVCEA a comfort level. He explained that after verifying the numbers, the Board would be allowed to approach its members in good faith. MR. SNYDER noted that MR. VINCENT committed to working with the CPA to expedite the review.

MR. SNYDER added that LVCEA members asked what other workforce groups are doing toward the solution and requested bargaining unit equity. The LVCEA is willing to do their share but not everyone's share.

MR. SNYDER added that the members were interested in consideration, meaning giving up what is needed to solve the problem, and in return, the members will get something they want that their contract currently does not have. It does not have to cost money. The LVCEA would create a list that will be given to management. The LVCEA and would be willing to try to meet the December 3rd deadline.

MAYOR GOODMAN remarked that the union-bashing perception is incorrect. LVCEA employees are the City's workforce, and everyone must work together toward a solution.

MR. RICKETTS asked on behalf of the LVCEA members to know if there was the possibility for some employees to lose their job whose salary comes from the General Fund. He assured the members that he does not see that in the future, however, he does not want to presume or assume. They want some sense of security through the holiday season. MAYOR GOODMAN replied he is not aware whether there has been a focus on any particular positions. He hopes these discussions will be held with an altruistic view point for all and all for one, between now and December 3rd.

COUNCILMAN WOLFSON asked who the person was that made the remarks about not buying Christmas presents or not getting pregnant, because that is not a reflection of how the Council feels. MR. RICKETTS replied that when an employee makes an allegation, they must provide a written affidavit; however, he does not have that affidavit at this time.

COUNCILMAN WOLFSON applauded the LVCEA'S willingness to cooperate and work together and the union bashing did not come from anybody on the Council.

CHRIS COLLINS, Executive Director, Las Vegas Police Protective Association, stated he represents City Marshals and Municipal Court Marshals. He thanked the City Manager's Office and his staff for keeping him informed of this process. He did not feel they could provide the requested information within two months. He has had the City books analyzed and disagrees with the numbers used by MR. VINCENT. The right numbers are needed and the first process is that everyone agrees on what those numbers are. He referred to the PERS increase, stating that no one knows what the increase will be, and to assume a six percent increase is wrong.

MR. COLLINS stated that law enforcement agencies from other municipalities have received as much as a 14 percent increase and their cities are in similar financial straights. This will be difficult to digest by the people he represents, who question why their lives and those of their families are worth less than the families and lives of other public safety employees in the Valley. MAYOR GOODMAN remarked that no one on the Council would ever suggest that the lives of officers are not worth less than those of other agencies. MR. COLLINS stated he would try to do his part, but he assured that reduction in monetary value will hurt public safety in Las Vegas.

TRACY VALENZUELA appeared on behalf of the Las Vegas Peace Officers Association (LVPOA), representing corrections staff and supervisors. She agreed with MR. RICKETTS, MR. SNYDER and MR. COLLINS' comments. She stated her association is the lowest paid law enforcement agency in the City and has been short staffed for a very long time. The LVPOA is willing to take a coordinated approach with the other bargaining units to support City employees. The number one interest is the stability and continuity of the membership's employment.

DEAN FLETCHER, President, Las Vegas Firefighters, stated he sent an email to CITY MANAGER SELBY explaining their position. His association is due for a contract negotiation soon. His bargaining unit has always taken into consideration the finances of the City, and will do the same during the negotiations. He agreed with MR. COLLINS that there is not enough time to prepare a report by December 3rd. He thanked CITY MANAGER SELBY for meeting with him.

COUNCILMAN REESE thanked staff for their due diligence, as the City could be in worse shape. He thanked the union members and pointed out that everyone needs to work together. The recommendation made by CITY MANAGER SELBY is not a final decision but a starting point. He believes there is an economic downspin.

COUNCILMAN BROWN thanked all the participants, and stated he does not consider the City to be in a financial crisis at this time. The Council has done things over the past ten years that have better prepared it to address the financial downturn. Evaluation needs to be made of what can be done immediately. He understands holding the workforce reduction, but is concerned about having identified areas in the City, appointive and classified, that may not have enough work to do. The bottom line is labor costs has put the City in this situation and labor costs needs to be addressed. He appreciated the bargaining units' offer to be part of the solution. The workforce definitely needs to be addressed, and he was willing to go forward with reduction in the workforce. However, he will support its deferral. He asked that he be provided with information within the next 60 days specifically on areas of the workforce, classified and appointive.

His other concern was the recommendation for fee increases. It is not the appropriate time to raise fees and he is reluctant to support that until after December. He appreciates the work that staff put into this and its implementation needs to be taken seriously. He encouraged the Council to move forward with the entire implementation of the plan. He read a paragraph from the report that stated that retrenchment is balancing workforce needs with community needs.

COUNCILMAN WOLFSON thanked everybody for participating and stated that labor costs must be brought into alignment with revenue growth. The question is how it is done. He applauded the union representatives for attending and encouraged more discussions. He wants to ensure that staff provides the union representatives information, figures and data they need to make those discussions possible. He advocated for short-term and long-term solutions.

COUNCILWOMAN TARKANIAN thanked everyone who participated, as well as the consultants. She agreed with CITY MANAGER SELBY'S recommendations, supported the bargaining units' request to review the figures and quarterly monitoring so adjustments can be made as finances improve. She emphasized that sacrifices should be across the board. She suggested using recovery of fines to help the budget. A long-term solution is needed because the future is uncertain. She expressed concern about the unfunded long-term liability and to look at changes concerning benefits for new employees.

COUNCILMAN ROSS pointed out that MR. KIRCHHOFF was instrumental in the restructuring of the Southern Nevada Investment Board. He did a similar report with regard to that organization. The FSR is a step in the right direction. He acknowledged the collective units' contracts were negotiated in good faith and they all recognize that everyone needs to work together. He noted there could have been better communication. There is no reason this cannot be a win-win situation for everybody.

COUNCILMAN BARLOW thanked staff and the consultants for their efforts in the FSR process. He thanked the various union leaders for sharing in the dialogue. He would also like to see a solution sooner than later, as this is not only a local issue, but a global issue. He recognizes that December 3rd is a fairly aggressive date, but he would like the City and the unions to come together to ensure no one loses their jobs.

MAYOR GOODMAN stated that he has never been involved in an economic environment. It is the best of times because of the resolve of those participating in the process to address issues which will fix problems in the immediate future and set the stage for how the City of Las Vegas will be doing business for years to come. The City cannot control much of its revenue sources but it can control expenses. Discussions need to continue with the various bargaining units and reach resolution on labor costs quickly. An aggressive approach needs to be taken to the unfunded liabilities so that expenses in the future are less dramatic.

The Mayor stated that the Council needs to work on the state legislature to begin reducing demands on the City's resources and give the City more discretion to manage without unfunded mandatory statutes. MAYOR GOODMAN is proud of the City and for everybody who participated in the process. There is already an issue of whether MR. VINCENT'S figures are appropriate or whether an analysis by the bargaining units will provide different figures. But he is confident in MR. VINCENT'S analysis and in the way he presented these difficult issues. He acknowledged MR. VINCENT'S extraordinary effort working with the Councilmembers, the City Manager's Office and staff. The Council is doing the very best to provide this information to the public and employees. No one wants to see anyone lose their jobs, but unless this situation is rectified, salaries cannot be paid. He thanked MR. FORBUS, who worked without any compensation, for his help.

MR. FORBUS credited the City for the courage shown and the leadership of the Council which ripple through the entire state as an example for other municipalities. Staff also deserves credit and employees have stepped forward lending their help.

COUNCILMAN REESE asked COUNCILMAN BROWN explain his comment about the implementation of fee increases. COUNCILMAN BROWN replied that it depends upon whether CITY MANAGER SELBY wants approval today or to come back the December 3rd meeting to seek specific fees. CITY MANAGER SELBY explained that the recommendation is to do a phased program of fee increases to generate approximately a million dollar a year. However, those increases would have to come back before the Council for approval. He asked that the Council approve his recommendations and on December 3rd, he would report on its progress.

COUNCILMAN WOLFSON asked if it would be more prudent to schedule another Special City Council meeting because December 3rd is a regularly scheduled meeting and there might be enough time to address this issue. MAYOR GOODMAN responded if the report indicates they need more time, a special meeting could be scheduled. CITY MANAGER SELBY clarified that there certain efficiency measures that can be implemented immediately that do not affect employees.

COUNCILMAN BROWN asked MR. VINCENT to comment on the 12 percent general fund suspension. MR. VINCENT replied that the 12 percent fund was adopted because the City did not have a revenue stabilization fund. If the City is successful at clarifying some of the language in NRS 354 and Council directs to put some of that $47 million in a revenue stabilization fund, then he would be comfortable with a ten percent fund balance. He is reluctant to formalize the change until the revenue stabilization fund language is created. The City would be operating under its threshold temporarily. COUNCILMAN BROWN commented that he does not want to take any action that would impact the City's bond rating or make the fiscal situation worse.

COUNCILMAN REESE incorporated all the comments made by the Mayor and City Council, moved to follow the City Manager's recommendations and ask to continue to move forward with the CIP projects that do not have personnel operational impacts on the budget in Fiscal Year 2010. He asked the City Manager provide a report at the December 3, 2008 City Council meeting on the status of the implementation of the recommendations, that the Council receive monthly financial briefings from the Finance Director on the negotiations, implement all staff and City Manager recommended actions that can be implemented immediately and asked to protect all City employees against any layoffs, at least until after the first of the year.